



4000-01-U

DEPARTMENT OF EDUCATION

Federal Need Analysis Methodology for the 2014-15 Award Year
-- Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, Iraq and Afghanistan Service Grant and TEACH Grant Programs

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

Catalog of Federal Domestic Assistance (CFDA) Numbers:

84.063; 84.038; 84.033; 84.007; 84.268; 84.408; 84.379.

SUMMARY: The Secretary announces the annual updates to the tables used in the statutory Federal Need Analysis Methodology that determines a student's expected family contribution (EFC) for award year 2014-2015 for these student financial aid programs. The intent of this notice is to alert the financial aid community and the broader public, to these required annual updates used in the determination of student aid eligibility.

FOR FURTHER INFORMATION CONTACT: Marya Dennis, U.S.

Department of Education, room 63G2, Union Center Plaza, 830 First Street, NE., Washington, DC 20202-5454. Telephone: (202) 377-3385.

If you use a telecommunications device for the deaf (TDD) or a text telephone (TTY), call the Federal Relay

Service (FRS), toll free, at 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Part F of title IV of the Higher Education Act of 1965, as amended (HEA), specifies the criteria, data elements, calculations, and tables the Department uses in the Federal Need Analysis Methodology to determine the EFC.

Section 478 of part F of title IV of the HEA requires the Secretary to annually update four tables for general price inflation--the Income Protection Allowance, the Adjusted Net Worth of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The changes are based, in general, upon increases in the Consumer Price Index (CPI).

For award year 2014-2015, the Secretary is charged with updating the income protection allowance for parents of dependent students, adjusted net worth of a business or farm, the Education Savings and Asset Protection Allowance and the assessment schedules and rates to account for inflation that took place between December 2012 and December 2013. However, because the Secretary must publish these tables before December 2013, the increases in the tables must be based on a percentage equal to the estimated percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for 2013. The Secretary must also account for any misestimation of inflation for the

immediately preceding year.

In developing the table values for the 2013-14 award year, the Secretary assumed a 2.2 percent increase in the CPI-U for the period December 2011 through December 2012. Actual inflation for this time period was 2.1 percent. The Secretary estimates that the increase in the CPI-U for the period December 2012 through December 2013 will be 2.5 percent.

Additionally, section 601 of the College Cost Reduction and Access Act of 2007 (CCRAA, Pub. L. 110-84) amended sections 475 through 478 of the HEA affecting the income protection allowance (IPA) tables for the 2009-2010 through 2012-2013 award years and indexed the annual update by a percentage of the estimated Consumer Price Index thereafter. These changes to the IPA impact dependent students, as well as independent students with dependents other than a spouse and independent students without dependents other than a spouse. As amended by the CCRAA, this notice includes the new 2014-2015 award year values for the IPA tables. The updated tables are in sections 1, 2, and 4 of this notice.

As provided for in section 478(d) of the HEA, for each award year the Secretary must also revise the education savings and asset protection allowances. The Education Savings and Asset Protection Allowance table for award year 2014-2015 has been updated in section 3 of this notice.

Section 478(h) of the HEA also requires the Secretary to increase the amount specified for the Employment Expense Allowance, adjusted for inflation. This calculation is based on increases in the Bureau of Labor Statistics budget of the marginal costs for a two-worker family compared to a one-worker family. The items covered by this calculation are: food away from home, apparel, transportation, and household furnishings and operations. The Employment Expense Allowance table for award year 2014-2015 has been updated in section 5 of this notice.

The HEA requires the following annual updates:

1. Income Protection Allowance (IPA). This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset against the family's income. The allowance varies by family size. The IPA for the dependent student is \$6,260. The IPAs for parents of dependent students for award year 2014-2015 are as follows:

Family Size	Parents of Dependent Students Number in College				
	1	2	3	4	5
2	\$17,440	\$14,460			
3	\$21,720	\$18,750	\$15,770		
4	\$26,830	\$23,840	\$20,870	\$17,890	
5	\$31,650	\$28,670	\$25,700	\$22,710	\$19,750
6	\$37,020	\$34,040	\$31,070	\$28,090	\$25,120

For each additional family member add \$4,180. For each additional college student subtract \$2,970.

The IPAs for independent students with dependents other than a spouse for award year 2014-2015 are as follows:

Independent Students With Dependents Other Than a Spouse					
Family Size	Number in College				
	1	2	3	4	5
2	\$24,650	\$20,430			
3	\$30,690	\$26,490	\$22,280		
4	\$37,890	\$33,690	\$29,500	\$25,270	
5	\$44,710	\$40,490	\$36,300	\$32,090	\$27,900
6	\$52,290	\$48,080	\$43,900	\$39,670	\$35,480

For each additional family member add \$5,900.

For each additional college student subtract \$4,190.

The IPAs for single independent students and independent students without dependents other than a spouse for award year 2014-2015 are as follows:

Marital Status	Number in College	IPA
Single	1	\$9,730
Married	2	\$9,730
Married	1	\$15,600

2. Adjusted Net Worth (NW) of a Business or Farm. A portion of the full NW (assets less debts) of a business or farm is excluded from the calculation of an expected contribution because (1) the income produced from these assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets.

The portion of these assets included in the contribution calculation is computed according to the following schedule.

This schedule is used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the NW of a Business or Farm is	Then the Adjusted NW is
Less than \$1	\$0
\$1 To \$125,000	\$0 + 40% of NW
\$125,001 To \$375,000	\$50,000 + 50% of NW over \$125,000
\$375,001 To \$620,000	\$175,000 + 60% of NW over \$375,000
\$620,001 or more	\$322,000 + 100% of NW over \$620,000

3. Education Savings and Asset Protection Allowance.

This allowance protects a portion of NW (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables: one for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

Parents of Dependent Students		
If the age of the older parent is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,800	400
27	3,600	800
28	5,500	1,300
29	7,300	1,700
30	9,100	2,100
31	10,900	2,500
32	12,700	2,900
33	14,600	3,400

34	16,400	3,800
35	18,200	4,200
36	20,000	4,600
37	21,800	5,000
38	23,700	5,500
39	25,500	5,900
40	27,300	6,300
41	27,900	6,500
42	28,500	6,600
43	29,200	6,800
44	30,000	6,900
45	30,700	7,100
46	31,500	7,200
47	32,200	7,400
48	33,000	7,600
49	33,800	7,800
50	34,600	8,000
51	35,700	8,100
52	36,500	8,300
53	37,600	8,500
54	38,500	8,700
55	39,700	9,000
56	40,600	9,200
57	41,800	9,400
58	43,000	9,700
59	44,200	9,900
60	45,500	10,200
61	46,800	10,400
62	48,100	10,700
63	49,500	11,000
64	50,900	11,300
65 or older	52,600	11,600

Independent Students With Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,800	400
27	3,600	800
28	5,500	1,300
29	7,300	1,700
30	9,100	2,100

31	10,900	2,500
32	12,700	2,900
33	14,600	3,400
34	16,400	3,800
35	18,200	4,200
36	20,000	4,600
37	21,800	5,000
38	23,700	5,500
39	25,500	5,900
40	27,300	6,300
41	27,900	6,500
42	28,500	6,600
43	29,200	6,800
44	30,000	6,900
45	30,700	7,100
46	31,500	7,200
47	32,200	7,400
48	33,000	7,600
49	33,800	7,800
50	34,600	8,000
51	35,700	8,100
52	36,500	8,300
53	37,600	8,500
54	38,500	8,700
55	39,700	9,000
56	40,600	9,200
57	41,800	9,400
58	43,000	9,700
59	44,200	9,900
60	45,500	10,200
61	46,800	10,400
62	48,100	10,700
63	49,500	11,000
64	50,900	11,300
65 or older	52,600	11,600

Independent Students Without Dependents Other Than a Spouse		
If the age of the student is	And they are	
	Married	Single
	Then the education savings and asset protection allowance is	
25 or less	0	0
26	1,800	400

27	3,600	800
28	5,500	1,300
29	7,300	1,700
30	9,100	2,100
31	10,900	2,500
32	12,700	2,900
33	14,600	3,400
34	16,400	3,800
35	18,200	4,200
36	20,000	4,600
37	21,800	5,000
38	23,700	5,500
39	25,500	5,900
40	27,300	6,300
41	27,900	6,500
42	28,500	6,600
43	29,200	6,800
44	30,000	6,900
45	30,700	7,100
46	31,500	7,200
47	32,200	7,400
48	33,000	7,600
49	33,800	7,800
50	34,600	8,000
51	35,700	8,100
52	36,500	8,300
53	37,600	8,500
54	38,500	8,700
55	39,700	9,000
56	40,600	9,200
57	41,800	9,400
58	43,000	9,700
59	44,200	9,900
60	45,500	10,200
61	46,800	10,400
62	48,100	10,700
63	49,500	11,000
64	50,900	11,300
65 or older	52,600	11,600

4. Assessment Schedules and Rates. Two schedules that are subject to updates--one for parents of dependent students and one for independent students with dependents

other than a spouse--are used to determine the EFC from family financial resources toward educational expenses. For dependent students, the EFC is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the EFC is derived from an assessment of the family's AAI. The AAI represents a measure of a family's financial strength, which considers both income and assets.

The Parents' contribution for a dependent student is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) To \$15,600	22% Of AAI
\$15,601 To \$19,600	\$3,432 + 25% Of AAI over \$15,600
\$19,601 To \$23,500	\$4,432 + 29% Of AAI over \$19,600
\$23,501 To \$27,500	\$5,563 + 34% Of AAI over \$23,500
\$27,501 To \$31,500	\$6,923 + 40% Of AAI over \$27,500
\$31,501 or more	\$8,523 + 47% Of AAI over \$31,500

The contribution for an independent student with dependents other than a spouse is computed according to the following schedule:

If AAI is	Then the Contribution is
Less than -\$3,409	-\$750
(\$3,409) To \$15,600	22% Of AAI
\$15,601 To \$19,600	\$3,432 + 25% Of AAI over \$15,600
\$19,601 To \$23,500	\$4,432 + 29% Of AAI over \$19,600
\$23,501 To \$27,500	\$5,563 + 34% Of AAI over \$23,500
\$27,501 To \$31,500	\$6,923 + 40% Of AAI over \$27,500
\$31,501 or more	\$8,523 + 47% Of AAI over \$31,500

5. Employment Expense Allowance. This allowance for employment-related expenses--which is used for the parents

of dependent students and for married independent students-- recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based on the marginal differences in costs for a two-worker family compared to a one-worker family. The items covered by these additional expenses are: food away from home, apparel, transportation, and household furnishings and operations.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$4,000 or 35 percent of earned income.

6. Allowance for State and Other Taxes. The allowance for State and other taxes protects a portion of parents' and students' incomes from being considered available for postsecondary educational expenses. There are four categories for State and other taxes, one each for parents of dependent students, independent students with dependents other than a spouse, dependent students, and independent students without dependents other than a spouse. Section 478(g) of the HEA directs the Secretary to update the tables for State and other taxes after reviewing the Statistics of Income file data maintained by the Internal Revenue Service.

	Parents of dependents and independents with dependents other than a spouse		Dependents and independents without dependents other than a spouse
State	Percent of Total Income		All
	Under \$15,000	\$15,000 & Up	
Alabama	3%	2%	2%
Alaska	2%	1%	0%
Arizona	4%	3%	2%
Arkansas	4%	3%	3%
California	8%	7%	5%
Colorado	4%	3%	3%
Connecticut	8%	7%	5%
Delaware	5%	4%	3%
District of Columbia	7%	6%	5%
Florida	3%	2%	1%
Georgia	5%	4%	3%
Hawaii	4%	3%	3%
Idaho	5%	4%	3%
Illinois	5%	4%	2%
Indiana	4%	3%	3%
Iowa	5%	4%	3%
Kansas	5%	4%	3%
Kentucky	5%	4%	4%
Louisiana	3%	2%	2%
Maine	6%	5%	4%
Maryland	8%	7%	5%
Massachusetts	7%	6%	4%
Michigan	5%	4%	3%
Minnesota	6%	5%	4%
Mississippi	3%	2%	2%
Missouri	5%	4%	3%
Montana	5%	4%	3%
Nebraska	5%	4%	3%
Nevada	3%	2%	1%
New Hampshire	5%	4%	1%
New Jersey	9%	8%	4%
New Mexico	3%	2%	2%
New York	9%	8%	6%
North Carolina	6%	5%	4%
North Dakota	2%	1%	1%
Ohio	5%	4%	3%
Oklahoma	3%	2%	2%

Oregon	7%	6%	5%
Pennsylvania	5%	4%	3%
Rhode Island	7%	6%	4%
South Carolina	5%	4%	3%
South Dakota	2%	1%	1%
Tennessee	2%	1%	1%
Texas	3%	2%	1%
Utah	5%	4%	3%
Vermont	6%	5%	3%
Virginia	6%	5%	4%
Washington	4%	3%	1%
West Virginia	3%	2%	3%
Wisconsin	7%	6%	4%
Wyoming	2%	1%	1%
Other	2%	1%	2%

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) on request to the contact person listed under FOR FURTHER INFORMATION CONTACT in this notice.

Electronic Access to This Document: The official version of this document is the document published in the Federal Register. Free Internet access to the official edition of the Federal Register and the Code of Federal Regulations is available via the Federal Digital System at:

www.gpo.gov/fdsys. At this site you can view this document, as well as all other documents of this Department published in the Federal Register, in text or Adobe

Portable Document Format (PDF). To use PDF you must have Adobe Acrobat Reader, which is available free at this site.

You may also access documents of the Department

published in the Federal Register by using the article search feature at: www.federalregister.gov. Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Program Authority: 20 U.S.C. 1087rr.

Dated: May 15, 2013.

James W. Runcie,
Chief Operating Officer
Federal Student Aid.

[FR Doc. 2013-11982 Filed 05/17/2013 at 8:45 am; Publication Date: 05/20/2013]